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ABSTRACT

Policy options for increasing the earnings of the young welfare recipients were explored by analyzing the incomes of nearly 12,000 young women in Baltimore, Maryland, whose 19th birthday fell between April 1, 1985, and March 31, 1989, and who had at least one spell of welfare dependency between their 19th and 29th birthdays. An analysis of the earnings of 24 subpopulations (based on race and short-term, cyclic, or long-term welfare receipt) established that, as a group, the welfare recipients have demonstrated an ability and willingness to work at least some of the time. However, a reasonable estimate of how much they would earn if they devoted more time to work, without factoring in accumulation of and reward for additional human capital, indicated that most would fall short of a full-time federal minimum wage benchmark. The following welfare policy changes were recommended: (1) abandon job entry as a performance indicator; (2) stop overuse of the career ladder for the crafting of advice to those who seek to enter or advance in the labor market and substitute a "climbing wall" metaphor; and (3) revisit the off-the-books earnings issue to gain a better understanding of how it affects the incidence and distribution of employee benefits coverage. (Contains 17 references.) (MN)

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WELFARE TO WORK POLICY[1]

Getting A Job is a First Step: What Should Follow?

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INTRODUCTION

What can we do to increase the earnings of the poor? Descriptions of the basic problem have not changed much in 20 years.[2] This paper concentrates on what might be done for targeted individuals in a neglected sub-population of the poor—those who are working.

The targeted sub-populations addressed here are not mutually exclusive—high school dropouts and graduates with a high risk of repeated failure to keep a job, current and recent welfare recipients, candidates for parole from prison and recent parolees, and active substance abusers. These individuals have something in common—with few exceptions, each can get a job.[3] We know that most have held many jobs.

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[1] Revision of a paper presented at the America's Workforce Network Research Conference, June 27, 2001, Washington, D.C..

[2] Compare Timothy J. Bartik, "Solving the Many Problems with Inner City Jobs," *Staff Working Paper 00-66*, October 2000, Kalamazoo, MI: The W.E. Upjohn Institute for Employment Research, pp. 3-4, and Harry J. Holzer and Robert J. LaLonde, "Job Change and Job Stability Among Less Skilled Young Workers," in David E. Card and Rebecca Blank (eds.)(2000), *Finding Jobs: Work and Welfare Reform*, New York, NY: Russell Sage Foundation, pp. 125-159, with David W. Stevens, "A Reexamination of What Is Known About Jobseeking Behavior in the United States," in *Labor Market Intermediaries*, Special Report No. 22, March 1978, Washington, D.C.: National Commission for Employment Policy, pp. 151-198, on job search issues, for example.

[3] Use of Web-enabled job search has driven a new wedge between those who have privileged access to some, and often the most attractive, job leads, and those who have little or no access to reliable information without formal paid-for or heavily subsidzed help. However, this is simply a technology-driven example of an old and continuing job-search phenomenon—uneven access to a network of reliable information about 'good' job opening possibilities.

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The next section introduces new descriptive information about the magnitude of the earnings problem for one targeted group—young welfare recipients. This is followed by practical ideas for engaging the low earnings enemy.[4]

THE EARNINGS OF YOUNG WELFARE RECIPIENTS[5]

The first step is to identify birth year cohorts of young women in Baltimore City[6] who are known to have experienced at least one spell of welfare dependency in the 10 years between their 19th and 29th birthdays.[7] The four birth year cohorts are:

- Cohort 1—19th birthday between April 1, 1985 and March 31, 1986 (N=2,907).
- Cohort 2—19th birthday between April 1, 1986 and March 31, 1987 (N=3,041).
- Cohort 3—19th birthday between April 1, 1987 and March 31, 1988 (N=2,962).
- Cohort 4—19th birthday between April 1, 1988 and March 31, 1989 (N=2,804).

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[4] One who is foolish enough to assert that an idea is new must be prepared to learn that the proposed action is in fact old and perhaps already known to be impractical or unwise.

[5] The tabulations presented in this section were originally prepared for the National Research Council Panel on Data and Methods for Measuring the Effects of Changes in Social Programs. Related findings appear in a paper co-authored with Robert Moffitt that was presented on November 17, 2000 at a Federal Reserve Bank of New York conference—*Welfare Reform Four Years Later: Progress and Prospects*. That paper will appear in a forthcoming issue of the Federal Reserve Bank's *Economic Policy Review*. I accept responsibility for the accuracy and interpretation of the tabulations.

[6] The criterion for selection was that each welfare record includes a Baltimore City Department of Social Services local office code.

[7] The welfare records are maintained by The Jacob France Center through a data sharing agreement with the Maryland Department of Human Resources. A similar data sharing agreement with the Maryland Department of Labor, Licensing and Regulation provides for authorized use of Maryland UI wage records. No findings are released that disclose the identity of a welfare recipient or employer. These linked data sets have been used to conduct welfare-to-work research for multiple sponsors, including the Division of Research and Demonstration, Office of Policy and Research, Employment and Training Administration, U.S. Department of Labor (Agreement K-6558-8-00-80-60); the Administration for Children and Families, U.S. Department of Health and Human Services (under sub-contract with the Chapin Hall Center for Children at the University of Chicago); Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services (through the Maryland Department of Human Resources); and the Maryland Governor's Workforce Investment Board.

Actual earnings over the 10 years are compared to a *human capital potential*[8] estimate. This potential is then compared to a full-time Federal minimum wage benchmark amount.

The distribution of welfare spells identified for the four birth year cohorts is:

Number of Welfare Spells	N	Percent
1	5,892	50
2	3,672	31
3	1,519	13
4	478	4
5	124	1
6	23	<1
7	6	<1
	11,714	100

Each woman in this total of 11,714 welfare recipients was assigned to one of three mutually exclusive categories—*short-term*, *cycler* or *long-term*.

[8] *Human capital potential* was calculated for each young woman in three steps. First, non-overlapping quarters were identified in which some reported earnings appear in the Maryland UI wage record database while no welfare benefit payments are recorded in the Maryland welfare record database in any of the months in these reference quarters. Then, the real dollar amount of each woman's earnings in these non-overlapping quarters was tabulated, and the mean of these real dollar values was calculated for each sub-population of interest. Finally, this mean real dollar amount was multiplied by 40 to arrive at an estimate of how much the women in each sub-population cell would have earned if they had earned the average amount for non-overlapping quarters in <u>all</u> quarters over the 10 years observed. This definition has been criticized by some who think of this as a threshold, or lower bound, estimate of the earnings potential of these young women. I persist in the use of the potential definition chosen because I think it is a realistic estimate of what we know these women are capable of earning, because they have done so. The lives of these young women are volatile. Circumstances change often. Each might earn more, or less, tomorrow than she earned today.

The definitions of the three sub-populations of welfare recipients are:

- *Short-term* and *long-term*—The mean value of the average (mean) length of welfare spell[9] was calculated for the 9,564 women who had no more than two welfare spells during their observation period of 10 years. The mean value of the individual spell duration averages for this sub-population is 35 months.[10] This mean spell length value of 35 months was used to define *long-term* recipients as those with a personal average welfare spell length of 35 months or more (N=3,650), and those with an average spell length of less than 35 months as *short-term* (N=5,914).

- *Cycler*—Those (N=2,150) with three or more spells during the 10 years.

Table 1 presents the average real earnings amounts over 10 years for African American and White women in each of the four birth year cohorts who were assigned to the mutually exclusive *short-term*, *cycler* or *long-term* sub-populations. These cumulative totals include all earnings found in the Maryland UI wage record database for each woman's 10 reference years.

Eleven percent of the 11,714 women (N=1,266) had no reported earnings during their observation period of 10 years. Half of those who had at least one quarter of reported earnings had two and one-half years or less (1-10 quarters) of earnings

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[9] This includes the still open, or truncated, welfare spells at the end of each woman's observation period of 10 years.

[10] The standard deviation is 27 months. The median spell length is also 27 months. At the tails of the distribution, 10 percent of the women had an average spell length of 1 to 7 months, and 10 percent had an average spell length of 80 to 120 months.

TABLE 1
Baltimore City AFDC
Mean of Total Real* Reported Earnings Over 10 Years

		Black								White							
		Cohort 1		Cohort 2		Cohort 3		Cohort 4		Cohort 1		Cohort 2		Cohort 3		Cohort 4	
	Status	N	10Yrs $	N	10Yrs $	N	10Yrs $	N	10Yrs $	N	10Yrs $	N	10Yrs $	N	10Yrs $	N	10Yrs $
Short		1242	42718	1170	49	1094	5125	1056	5112	359	33	350	35	343	34	300	37
Cycling		2358	29053	2483	38585	2441	41713	2313	42947	549	84	658	84	521	82	491	82

Cohort 1: Cohort 2: Cohort 3: Cohort 4: * Chain

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Two-thirds of the women had reported earnings in no more than half (1-20 quarters) of the 40 quarters observed. Only seven percent had more than eight years (33-40 quarters) of some reported earnings.

The highest cumulative real earnings amount over 10 years among the 24 sub-populations in Table 1 is $51,253 for the African American women whose 19th birthday fell between April 1, 1987 and March 31, 1988, and who were assigned to the *short-term* sub-population. The *short-term* designation means these women had an average personal welfare spell length of less than 35 months and recorded no more than two spells of welfare dependency during the observation period of 10 years.

The African American *short-term* sub-population members who received the highest cumulative earnings amount among the 24 sub-populations included in Table 1 had reported earnings in an average of 18 quarters over the 10 years, or less than half the maximum possible number of 40 quarters. No other sub-population in Table 1 had a higher average number of quarters with reported earnings. The lowest average number of quarters with some reported earnings during the reference period of 10 years covered in Table 1 is 8 quarters of reported earnings for the White *long-term* assignees in cohorts 2 and 3.

We know at this point that 89 percent of the 11,714 young women had some reported earnings during their 19th through 28th years. Even the sub-population with the lowest number of quarters of recorded earnings had some earnings in one-fifth of the maximum number possible—8 out of 40.

The next step is to calculate the average quarterly earnings amount for each sub-population when only non-welfare quarters are considered. This requires alignment of the monthly welfare data with the quarterly UI wage record data to select only those non-overlapping quarters when there was a positive amount of reported earnings but no reported welfare payment in any one or more of the months in that quarter.

The non-overlapping quarter concept is intended to serve as a crude proxy for a woman's assumed necessity and availability to work—she hasn't received any temporary cash assistance during the three reference months and she has some reported earnings. We know nothing more about unobserved influences on her ability and willingness to work.

Table 2 presents the non-overlapping quarters average real earnings calculations. Again, the African American *short-term* designees in cohort 3 have the highest average earnings amount--$2,505 average quarterly real earnings for non-overlapping quarters only. This figure, and its counterpart for each of the other 23 sub-populations covered in Table 2, is the number needed to calculate a woman's *human capital potential* (defined in footnote 7 on page 3.) That calculation, in turn, becomes the denominator to derive the ratio of actual reported earnings over 10 years (from Table 1) to potential earnings over the same period.

Again, the interpretation given to the *human capital potential* calculation is that the derived real dollar amount is a reasonable estimate of how much she would have earned if the opportunities and constraints that influenced her actual reported earnings in non-overlapping quarters had been present throughout the 10 years observed. Possible challenges to this interpretation include:

- If she had worked more quarters she would have accrued more work experience that translates into more human capital that might have been rewarded with a higher level of compensation, so this is an underestimate of her unobserved earning potential. Two, perhaps heroic, assumptions are imbedded in such a challenge—that the typical work setting of a young former welfare recipient (we are talking about non-overlapping quarters here) offers an opportunity to accumulate human capital over time, and that this accrual can be transformed into cash.

TABLE 2

Baltimore City AFDC

Mean Of Real Quarterly Reported Earnings Over 10 Years For Non-Overlapping Quarters With Any Earnings

		Black								White							
		Cohort 1		Cohort 2		Cohort 3		Cohort 4		Cohort 1		Cohort 2		Cohort 3		Cohort 4	
Status		N	QTR $	N	QTR $	N	QTR $	N	QTR $	N	QTR $	N	QTR $	N	QTR $	N	QTR $
Short		1076	2201	1019	2433	961	2502	927	2472	315	1898	30	2009	295	2051	263	2111
				388	3203	499	3618	476	3201	57	3705	5	4414	68	5218	75	4134
		307	1725	647	4330	939	5915	842	4646	102	5374			77	6185	90	4177
Cyclical		584	4729	2054	9966	2099	12035	1945	10319	474	10937	35	8855	440	13454	428	10422

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- The fact that she did not work more quarters indicates that circumstances in these "other" quarters do not replicate the non-overlapping quarters in which some earnings amount was reported, so this is an overestimate of her earnings potential in these quarters.

Table 3 presents the ratio estimates described on the previous page—the mean value of total real reported earnings over 10 years as a percent of the 10 year *human capital potential* figure for each of the 24 sub-populations covered in Tables 1 and 2. This is interpreted to be a rough estimate of how far short of its potential each sub-population falls without any additional investment in human capital. The African American *short-term* designees in cohort 4 exhibit the highest ratio of 52 percent.

If we knew why the "other" quarters were different from the non-overlapping quarters in which some earnings were reported we could use this information to decide whether and how to reduce or eliminate the difference. That is, we could then decide whether interventions should be attempted to increase the amount of time worked independent of human capital investment decisions.

Of course, we do not know how the "other" and non-overlapping quarters differ. So, before speculating about policy actions that might be taken, another calculation is added to our knowledge base. One often hears or reads that those who hold minimum wage jobs are overlooked in public policy debates about how to improve the lot of the poor.

So, how would the young women in Baltimore fare relative to a full-time minimum wage benchmark if they worked year-'round every year and earned the same average amount as they actually earned in the non-overlapping quarters?

TABLE 3
Baltimore City AFDC
Mean Of Total Real Reported Earnings Over 10 Years As A Percent of 10 Year Human Capital Potential

		Black								White							
		Cohort 1		Cohort 2		Cohort 3		Cohort 4		Cohort 1		Cohort 2		Cohort 3		Cohort 4	
	Status	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
	Short	1076	49	1019	51	961	51	927	52	315	44	30	44	295	44	263	45
										57	38	5	31	68	31	75	33
										102	29	1	23	77	23	90	27
	Cyclical	307	28	388	40	499	49	478	47	74	18	35	33	440	40	428	45
		584		647		639		642									
		1967		2054		2099		1945									

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Cohort 1: Cohort 2: Cohort 3: Cohort 4: **NOTE:**

Table 4 shows that only the women in five of the 24 sub-populations would have equaled or exceeded the full-time minimum wage benchmark if they had replicated their actual reported earnings in all quarters; and all five of these sub-populations are *short-term* welfare spell designees.

The calculations summarized in Tables 1-4 support the following conclusions:

- Most (89 percent) of the young women in Baltimore who turned 19 years of age between April 1985 and March 1989 and experienced at least one spell of welfare dependency during the next 10 years had reported earnings at some time during these years.

- The average amount earned over the reference years was low, reaching only $51,253 in real earnings over 10 years for the highest of the 24 sub-populations defined.

- None of the 24 sub-populations had earnings in more than 18 out of the 40 reference quarters possible, but none had fewer than 8 such quarters on average—these young women demonstrated an ability and willingness to work.

- When the young welfare recipients in Baltimore worked and were not receiving welfare benefits (during their own 10 reference years between April 1985 and March 1998) they did not earn much—averaging between $1,433 and $2,505 of real earnings per quarter depending on their sub-population designation.

- If these women had been able to replicate their actual earnings for non-overlapping quarters in "other" quarters they could have increased cumulative earnings over 10 years by a multiple of 2 to 5 depending upon the sub-population designation. Unfortunately, we do not know why they did not have earnings in more quarters.

TABLE 4
Baltimore City AFDC
10 Year Human Capital Potential As A Percent of Full-Time Full-Year Minimum Wage Equivalent Over 10 Years

Black

Status	Cohort 1		Cohort 2		Cohort 3		Cohort 4	
	N	%	N	%	N	%	N	%
Short	1076	104	1019	115	961	11	927	116
Full	307	8	388	86	499	8	476	94
Cycle	584	6	647	67	539	7	542	78
	1967		2054		2099		1945	

White

Status	Cohort 1		Cohort 2		Cohort 3		Cohort 4	
	N	%	N	%	N	%	N	%
Short	315	89	30	95	295	9	253	100
Full	57	80	5	68	68	7	75	64
Cycle	102	72	5	68	77	8	90	83
	474		35		440		428	

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Full

Cohort 1: Cohort 2: Cohort 3: Coho

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- Even if these young women in Baltimore had been able to transform the "other" quarters into earnings quarters with the same success recorded in the non-overlapping quarters most of them would not have attained a full-time Federal minimum wage equivalent level of earnings.

Hidden from view in these surface highlights are *human capital potential* differences among the *short-term*, *cycler* and *long-term* designees.[11] The calculations presented in Table 2 indicate that even in non-overlapping quarters—that is, in quarters in which some reported earnings, but no welfare payments, have been found in the administrative record databases—the *cycler* and *long-term* designees have lower average earnings amounts. A similar tabulation of the mean number of quarters with some reported earnings, which is not presented here, shows a difference of at least five quarters between the *short-term* and *long-term* sub-populations, with the *long-term* designees having fewer average quarters with some reported earnings. The *cycler* designees fall between these two. The combination of lower average earnings when working and working fewer quarters produces large gaps among the *human capital potential* estimates for the *short-term*, *cycler* and *long-term* sub-populations.[12]

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[11] New information about differences among these sub-populations is appearing monthly. See, for example, Mary Clare Lennon, Juliana Blome and Kevin English, *Depression and Low-Income Women: Challenges for TANF and Welfare-to-Work Policies and Programs*, National Center for Children in Poverty, Columbia University, March 2001 (available at: www.researchforum.org); National Center for Children in Poverty, "Three-City Findings Reveal Unexpected Diversity Among Welfare Leavers and Stayers," *The Forum*, Vol 4, No. 1 (March 2001, 5 pp.; Pamela Loprest, "How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers," *Policy Brief Series B, No. B-36,* Assessing the New Federalism Project, The Urban Institute, April 2001, 7 pp.; and Richard Wertheimer, "Working Poor Families with Children: Leaving Welfare Doesn't Necessarily Mean Leaving Poverty," *Child Trends Research Brief*, Child Trends, May 2001, 5 pp.

[12] There are some statistical artifacts to be sorted out here. The definitions that result in a woman's assignment to *short-term*, *cycler* or *long-term* status also affect the *human capital potential* calculations.

A basic conclusion from this analysis is that the welfare recipients have demonstrated an ability and willingness to work at least some of the time. However, a reasonable estimate of how much they would earn if they devoted more time to work, without factoring in accumulation of and reward for additional human capital, indicates that most would fall short of a full-time Federal minimum wage benchmark.

These earnings profiles were recorded in a local labor market about which some say the Federal minimum wage is irrelevant, because virtually all employers pay a higher wage rate. Assume that most of these young women earned more than the Federal minimum wage. This means that less than full-time employment is a fundamental reason for the low earnings amounts recorded, even in the non-overlapping quarters investigated.

WHAT SHOULD FOLLOW?

Much has been learned in the last year about the magnitude, quality and location of job creation and destruction dynamics.[13] New findings about the role of the employer in welfare to work transition success have appeared.[14]

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[13] See, for example, Harry Holzer, Julia Lane, Lars Vilbur, Henry Jackson and George Putnam, *Workers and Firms in the Low-Wage Labor Market: Interactions and Long-Run Dynamics*, to be presented at this conference, Wednesday, June 27, at 8:30 A.M.; Timothy R. Pivetz, Michael A. Searson and James R. Spletzer, "Measuring job and establishment flows with BLS longitudinal microdata," *Monthly Labor Review*, April 2001, pp. 13-20; and Simon Burgess, Julia Lane and David Stevens, "Jobs, Workers and Changes in Earnings Dispersion," *Discussion Paper 491*, Centre for Economic Performance, London School of Economics and Political Science, http://cep.lse.ac.uk, April 2001, 36 pp.

[14] Julia Lane and David Stevens, "Welfare-to-Work Outcomes: The Role of the Employer," *Southern Economic Journal*, Volume 67, No. 4 (October 2000), pp. 1010-1021.

These new research findings reemphasize a long-standing frustration expressed by those who are responsible for crafting policy and managing programs—the unit of analysis chosen by many researchers is not useful for policy and program management purposes. The results are not actionable; i.e., there is not an obvious path from research finding to a promising action.

There is a basic reason why many research findings are imperfect from a strategic action standpoint—the data available to the researchers were not collected with the particular, now hot, action issue in mind. Increased reliance on administrative records as a way to reduce data collection costs has exacerbated this tension in recent years.

How, then, can job retention and higher earnings be pursued more effectively for high school dropouts and graduates with a high risk of repeated failure to keep a job, current and recent welfare recipients, candidates for parole from prison and recent parolees, and active substance abusers?

ABANDON JOB ENTRY AS A PERFORMANCE INDICATOR

An important first step is to stop the widespread practice of encouraging a job seeker's "marriage" with an employer when we know, in a probabilistic sense, that the marriage is unlikely to last. Job entry is a bad stand-alone performance measure. Job entry should be linked with one or more quality indicators, such as job retention or earnings level.

Job entry is obviously a necessary first step toward economic self-sufficiency through work, but consider the long-term costs that can be expected to accompany ill-advised job placement advocacy:

- The job seeker would be expected to conclude that the agency's advocacy motive has been selfish. The job seeker will not return for assistance, and will probably advise others to avoid such contact. This eliminates their access to at least one formal advocacy intermediary.

  Avoidance could reasonably be expected to include other now suspect sources of potential assistance. Personal and social costs are associated with this avoidance. But there is a more serious cost impact—the job seeker has now had a bad employment experience. This may dissuade her from accepting the risk of a similar bad experience without respect to the source of advocacy or information about a possible job opportunity.

- The employer would be expected to reach the same conclusion described above with respect to the job seeker—that the agency's referral motive has been selfish. The employer, too, will avoid future use of this intermediary and might be expected to recommend similar avoidance to other members of the business community. Again, personal and social costs are associated with this avoidance. This employer may also avoid future consideration of all candidates who are associated with the perceived deficiencies.

REASSESS THE 'CAREER LADDER' CONCEPT

The *career ladder* concept should be withdrawn from use in many traditional venues. This image of a single vertical ascent path with stable steps to advance toward a single clear goal is often irrelevant today. It should be replaced with the metaphor of a *climbing wall.*

This recreational and physical fitness training device has hand- and foot-holds spaced at irregular places on the wall to provide multiple paths to the top. The possible ascent paths are not necessarily obvious to the untrained eye.

Climbers with different physical attributes, such as height, weight, strength and agility, different risk-taking preferences, and different responses to new challenges, will approach the wall with different strategies to succeed. In fact, climber definitions of 'success' will differ.

The spacing of the hand- and foot-holds typically favors tall over short, young over old, healthy over infirm, and sighted over those who cannot see the pattern of possible paths to the top. The location of the hand- and foot-holds might be changed periodically to refresh the challenge faced. Some of the hand- and foot-holds can be removed to increase the level of difficulty--this might be done at the lowest, intermediate or highest parts of the wall.

Safety harnesses are required in most cases. Without a safety harness, those who dislike danger would be expected to change their climbing strategy; some would decide not to try at all.

The consequences of 'falling' depend on the rules of the climb and the safety harness handler's actions. A climber might be held in place and allowed to renew the climb from the point of 'displacement', be required to start over from the bottom, or be asked to go to the end of the queue of those waiting before another attempt is allowed. And, speaking of 'the queue', the waiting time to get a chance to try the ascent depends on how many other people have assembled with the same objective, and whether VIP line-cutting privileges are extended.

The *climbing wall* metaphor for today's labor market dynamics works because:

- It describes alternative paths to the top--"even a C student can be President."

- It describes the unevenness of the challenge faced by those who are about to start, or renew, the pursuit of a chosen labor market goal.

- It describes different definitions of workforce 'success'.

- It describes the impact of changes in the rules of the game, which require repeated adaptation to continue the pursuit of one's chosen goal.

- It describes the phenomenon of 'displacement' and offers different scenarios of what happens next contingent upon the rules and whether assistance is available.

- It describes the dependence of one person's opportunity to begin the pursuit of a chosen labor market goal on the number of other aspirants in the queue at the same location and time.

Together, the six bullet items presented above reinforce the importance of the research findings referenced in footnote 13--targeting of interventions using the wrong unit of analysis is futile, at best, and might well be expected to be harmful.

REVISIT THE ILLEGAL EARNINGS ISSUE

Self-sufficiency through one's own legal earnings is an important goal for most single parents who cannot depend on another person's income as a routine source of partial support. Acceptance of off-the-books earnings is a common practice in the pursuit of this personal and social goal. [15]

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[15] Bruce D. Meyer and James X. Sullivan (2001), *The Effects of Welfare and Tax Reform: The Material Well-Being of Single Mothers in the 1980s and 1990s*, summarized at www.jcpr.org/newsletters/vol5_no4/articles, reports that "ethnographic research has shown that almost all single mothers supplement their income with off-the-books income that is not likely to be captured in surveys. Moreover, there are incentives in many of the means-tested programs to hide income."

Reliance on off-the-books earnings is often temporary or intermittent. Experience gained through sustained employment leads to higher earnings for some of those who persist. However, for others the struggle to make ends meet never ends.[16]

For many years, there has been a 'demand-side bias' in public attitudes about off-the-books earnings. Offers of off-the-books remuneration have been looked upon more favorably than the acceptance of such offers. Enforcement in either case is uneven and limited because the cost of detection is high relative to the amount of taxes recovered.

Public policy cannot condone illegal behavior. Therefore, a dialogue should begin about the immediate and long-term consequences of off-the-books earnings flows. We know that 'cheaters' prosper at the expense of law-abiding peers in the short run. But, do 'cheaters' persist in this illegal behavior?

Do the same businesses offer off-the-books remuneration year after year, and do the recipients of these illegal earnings do so for extended periods of time? If so, then a recipient's loss of Social Security benefit credit, and possible unemployment compensation, health and pension benefit coverage, is a more serious personal and social problem than if the exposure to these risks is temporary or intermittent.

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[16] Recent ethnographic research findings are enlightening. See: Kathryn Edin and Laura Lein (1997), *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work*, New York, NY: The Russell Sage Foundation; and Katherine S. Newman (1999), *No Shame in My Game: The Working Poor in the Inner City*, New York, NY: Alfred A. Knopf and The Russell Sage Foundation. Also see examples of street-level research cited in a summary of Evelyn Bodkin (2001), *Assessing Welfare Reform at the Street Level: What Policymakers Need to Know*, found at the Joint Center for Poverty Research Web site referenced above; and non-scientific anecdotal evidence, such as that found in Barbara Ehrenreich (2001), *Nickel and Dimed: On (Not) Getting By in America*, New York, NY: Henry Holt and Company.

Scofflaw businesses threaten the survival of law-abiding competitors, which by definition incur a higher cost of doing business through the payment of payroll taxes and therefore have an incentive to avoid employee benefit liabilities. The rapid growth of Independent Contractor employment in recent years is one manifestation of this uneven playing field.[17]

A FINAL OBSERVATION ABOUT THE PROPOSED NEXT STEPS

Three 'next steps' have been proposed:

(1) Stop over-reliance on job entry as a performance indicator.

(2) Stop overuse of the *career ladder* concept for the crafting of advice to those who seek to enter, or advance in the labor market, and substitute a *climbing wall* metaphor.

(3) Revisit the off-the-books earnings issue to gain a better understanding of how this affects the incidence and distribution of employee benefits coverage.

The message in each case is clear—look beyond the job entry event.

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[17] See: U.S. Department of Labor (2000), *Independent Contractors: Prevalence and Implications for Unemployment Insurance Programs*, Occasional Paper 2000-05, Employment and Training Administration, Office of Workforce Security; and David W. Stevens (forthcoming), *Employment That Is Not Covered*.

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